



## Commercial Service Caribbean Region Santo Domingo

### IMPACT OF CAFTA-DR ON THE FOOD AND PACKAGING EQUIPMENT SECTOR:

#### CAFTA-DR Facts:

The United States and Dominican Congresses recently approved the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR). The agreement will greatly expand the bilateral trade between the participating countries; it will also allow for greater access for U.S. exports into the region. The member states of CAFTA-DR, combined, already constitute the 10<sup>th</sup> largest market for U.S. exports in the world. In 2004, the United States exported nearly \$16 billion of manufactured goods to the region, of which 27% was exported to the Dominican Republic; the largest market among the CAFTA-DR partners. The United States exports 56% of all Dominican imports and enjoys a market share of over 70% in consumer goods imports into the Dominican Republic.



CAFTA-DR is expected to be implemented on January 1, 2006. However, the CAFTA-DR partners that have ratified or approved the agreement must formally agree on an implementation date. The U.S. Chamber of Commerce estimates that upon implementation of the CAFTA-DR, US exports to the region could grow by 20% in the first year. When implemented, CAFTA-DR provides for the immediate elimination of tariffs on 80% of all manufactured goods exported from the United States. Customs duties on the remaining 20% of products will be phased out over the next five to fifteen years. In addition, the CAFTA-DR will require each member country to take steps to improve government transparency, customs procedures and the protection of foreign investments.

Under the CAFTA-DR, US imports into the Dominican Republic have been classified by categories. Each category provides for the elimination of customs duties in different stages. Some products will enter the Dominican Republic duty-free on the date the agreement enters into force, while others will receive gradual reductions on the customs duties. Most of the products in the food processing and packaging equipment sector have been categorized within the groups A and G. An explanation of these categories follows:

#### Category A:

Duties on goods under this category will be eliminated entirely on the date the agreement enters into force.

#### Category G:

Products under this category are already entering the Dominican Republic duty-free and will continue to do so under the CAFTA-DR.

For the products included under each category please refer to the attached list.

It should be noted that the benefits of CAFTA-DR are for those products that comply with the "Rules of Origin" established in Chapter Four of the agreement. Under these rules, a product that is manufactured in another country, for example Japan or China, will not receive duty-free treatment even if it is imported from the United States.

Another important benefit of the CAFTA-DR is that several other taxes and fees levied on American products exported to the Dominican Republic will be eliminated. These are the Consular Invoice (current value varies), and the Exchange Surcharge (currently 13%). However, a 16% ITBIS tax (value added tax on industrialized goods and services) is required to be applied to most products sold in the Dominican Republic.





As a result of the elimination of these taxes, the prices of food processing and packaging equipment are expected to decline, while imports from the United States are expected to increase.

The U.S. Commercial Service offers excellent programs to help American companies identify potential distributor. For more information on services available to U.S. business please visit our website: [www.export.gov/caribbean](http://www.export.gov/caribbean).

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Date: October 20, 2005

### CAFTA-DR Food Processing and Packaging Equipment HS Codes – Dominican Republic

Category A	
HS Code	Description
841720	Bakery ovens, biscuit ovens (industrial, non-electric)
841940	Food and beverage distilling or rectifying plant
842122	Beverage filtering or purifying machine and apparatus
842222	Machine for clean, dry bottles or other containers
842230	Can-sealing machines Machines for aerating beverages Container for labeling machines Vacuum or gas packaging machines for filling Machine for filling, whether or not capable of other operations Vacuum or gas packaging; machine performing only cap, lid, seal, close; Machine for filling, closing, sealing, capping, labeling, boxing, bagging or containing Machines for opening, filling, and closing bags
842240	Packing or wrapping machines (including heat shrink)
843820	Machinery for the manufacturing of confectionary, cocoa or chocolate
847920	Machinery for the extraction or preparation of animal or vegetable fat or oil
847982	Mixing, kneading or stirring machines Crushing, grinding, screening, sifting, emulsifying machinery.





Category G		
HS Code	Description	
841989	Industrial machinery, plant, equipment for temperature change of food and beverage	
843420	Dairy machinery and parts	
843490	Milking machine parts	
843710	Parts of machinery for cleaning, sorting, grading seed, grain and dark leguminous vegetables	
843780	Machinery for milling or working cereals and vegetables (excluding farming)	
843790	Parts of machinery for cleaning, sorting, grading seed, grain and vegetables (excluding farming)	
843830	Machinery for sugar manufacture	
843840	Brewery machinery	
843850	Meat- and poultry-packing plant machinery Machinery for the preparation of meat or poultry	
843860	Machinery for the preparation of fruit, nuts, or vegetables	
843890	Machinery for bakeries, bread & cookies preparation Machinery for the preparation of fruits and vegetables	

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**Date of Report:** September, 2005

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